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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

30 March 1988

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Charles E. Allen
National Intelligence Officer for Warning

SUBJECT: Monthly Warning Reports for February 1988

1. Summary of Key Warning Issues:

Panama

As US legal proceedings against General Noriega continue, measures against US interests in Panama will intensify, and Noriega will feel less constrained against launching a coup or placing far more serious restrictions on US intelligence-related activities. The indictments are a serious challenge to Noriega's ability to remain in power, but the Intelligence Community generally does not believe they will lead to his removal. Analysts believe that the recent flurry of accusations probably will strengthen the general's position within the military as his subordinates become more convinced that their commander's departure could make them more vulnerable to prosecution as well. Some officers are pressing Noriega to take a tougher line but, for now, he is unlikely to do more than verbally challenge the presence of SOUTHCOM headquarters in Panama. Other measures--including harassment of US

This review reflects consideration of inputs generated at warning meetings conducted by the National Intelligence Officers with Community representatives from all areas. As such, it represents a Community-wide review, but it is not a formally coordinated Community product.

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personnel--probably will be implemented gradually. The NIO/Latin America believes that Noriega's position, while formidable, could be weakened as US pressure continues and countries such as Venezuela become engaged in the problem. Such external activity could galvanize hesitant domestic actors such as Cardinal McGrath and prompt the military to reassess its unconditional support for Noriega. The NIO/LA notes that Noriega could quickly escalate actions against the United States, ranging from orchestrating major demonstrations to closing down US facilities.

The NIO for Warning believes that General Noriega's "legislative coup" has polarized Panama further and has potentially serious consequences for US interests there. The direct threat to US interests in Panama could grow markedly if US economic and political pressures are sustained. Noriega could move strongly and quickly toward more harassment of US personnel and interference with military activities. He well knows how to disrupt US activities without violating the 1977 Canal Treaties. Action on threats to expel SOUTHCOM would be more symbolically than militarily important, but could signal that Noriega intends to increase the pressure. He could up the ante again if he sees another economically debilitating flight of capital as a result of US pressures, and yet further as the US withholds payments and freezes Panamanian assets.

Ex-president Delvalle's decision to remain in Panama and continue to claim the presidency poses a direct challenge to Noriega. Strikes in support of Delvalle and against the cash shortage will weaken further the already strained Panamanian economy, encouraging Noriega to seek support from US opponents--such as the Soviet Union, Cuba, or Libya; he already has boosted ties modestly with Moscow by allowing Aeroflot flights to Panama. Noriega may also resort further to illegal activities such as drug trafficking, smuggling, or money laundering to replenish nearly empty state coffers.

The crisis could turn more violent, incidentally or purposefully threatening the the lives of 55,000 Americans in Panama. Noriega has shown increasing determination to remain in power as criticism of him has grown and may be willing to fight to the bitter end to retain power. The abortive 16 March coup attempt probably will only strengthen his resolve. The Panama Defense Forces also may feel increasing pressure to back solidly their chief, especially if the military kills demonstrators and officers feel threatened with prosecution should a genuinely independent civilian assume the presidency. Tactical alliance with far leftists--the Communist Party already has announced its support--could give leftists an entre to power unavailable before. A result could be long-term damage to the fabric of Panamanian society. Civil war is a possibility.

Honduras/Nicaragua

A decision by Honduras to end assistance to the Nicaraguan Resistance after 29 February, if widely known and believed, could lead to a rapid collapse of the insurgency and a flood of rebels across the border. Tegucigalpa may call on Washington to help disarm them and remove them from Honduras. Most of the Intelligence Community believes that there will be an initial surge of combatants returning to Honduras after 29 February followed by a gradual decline in insurgent force levels to about 5,000. The continued effectiveness of the rebels will hinge on the Hondurans. The Community is divided, however, about how tough Tegucigalpa will be. Some believe that Honduras, irritated by accusations of military drug trafficking and cuts in US military aid, will completely end support for the rebels. Others believe that the Hondurans want to keep the insurgents in Nicaragua and that Tegucigalpa wants the US to pay a higher price for its cooperation. If Honduras completely closes down rebel operations, some analysts believe insurgent strength in Nicaragua will decline to 3,000. The NIO for Warning notes that the Sandinistas' mid-March cross border strike at the rebels threatens them with a major defeat and could seriously affect their ability to remain a viable fighting force.

Nicaragua

Large-scale anti-Sandinista demonstrations thus far have been spontaneous, but if organized opposition groups can exploit anti-regime sentiments, they could spread quickly. The Sandinistas will adopt a three-pronged strategy for dealing with dissidents: labeling them rightist, US puppets; mounting government counter-demonstrations; justifying repression by arguing that the war continues. Internationally, the Sandinistas will continue to try to project an image of compliance with the regional peace process. They could make further concessions in peace talks to keep the democracies off balance and divided, greatly increasing the pressure for a ceasefire advantageous to Managua.

USSR/Afghanistan

There is Community agreement that General Secretary Gorbachev's 8 February statement on Afghanistan is the best evidence to date that the Soviets intend to get out of Afghanistan, even if it means the fall of the present regime in Kabul. The Community also thinks that Moscow was prompted by its changing assessment of the costs and benefits of staying versus getting out. There is considerable disagreement, however, about when the decision was made, how controversial it was domestically, and what will be Moscow's final conditions for a settlement. Much of our assessment of the impact of withdrawal on Moscow and Kabul rests on assumptions--supported by considerable evidence--that the Kabul regime will crack, that government forces will crumble, and that the resistance, for all its divisions, will remain united

enough to keep pressure on the regime. These judgments need to be continually tested and reassessed as events unfold. The Soviets may hope that its clients will have increased room for maneuver and could, given a cutoff of outside aid to the resistance, keep a share of power at least in Kabul.

USSR/US

The Soviets intend to make as much progress as they can with the Administration on a strategic arms reduction (START) package linked to an extension of the anti-ballistic missile (ABM) treaty. The Intelligence Community does not believe, however, that they are so eager that they will buy all of the essentials of the US position as they did with in the intermediate nuclear forces (INF) treaty. The Soviets are increasingly pessimistic about wrapping up a treaty before a spring summit, but will nonetheless press hard to come to closure on as many issues as possible. Moscow is likely to be flexible on some issues, especially verification and sublimits, but will not give ground on the US proposal for a ban on mobile missiles and will continue to insist that a treaty includes limits on sea-launched cruise missiles (SLCMs). The Soviets will be looking for evidence that the US is also prepared to change its positions, particularly on mobile missiles and SLCMs. All signs suggest that the Soviets will proceed with a summit even without a START accord. If START remains deadlocked, they may press for a summit agreement to conduct a joint experiment to test verification procedures.

Philippines/US

The Community agrees that the risk to Americans in the Philippines is now greater than the "moderate" assessment made in November, immediately after the Clark Air Base killings. US military personnel in uniform in frequent contact with Philippine units, such as military assistance personnel and the attaches, probably are at greatest risk because they are both vulnerable and identifiable. Evidence conflicts about Philippine Communist Party plans for future killings, however. When the Party orders the deaths of more Americans, the attempts probably will be tied to some event--such as the bases negotiations--that will heighten the public controversy over the US-Philippine relationship. The Aquino government is unlikely to make a strong response to further killings of Americans.

Ethiopia/Sudan

The worsening famine in northern Ethiopia now threatens about seven million people with starvation, up from an estimated 5.2 million a few months ago. Donors have pledged ample food, but inadequate port facilities will be unable to handle expected deliveries. Two cases of AIDS have been found among refugees fleeing to northern Sudan, portending increased Sudanese opposition to feeding operations in Sudan. Fear of insurgent attack is preventing food deliveries in southern Sudan and hungry Sudanese are moving into southern Ethiopia.

Libya/Benin/Chad/France/US

The Intelligence Community agrees that Libya is using Benin as a base for subversion and terrorism aimed primarily at Chad; Tripoli may again try to kill Chadian President Habre, but could also attack US or French targets to discourage aid to Chad. The Community differs somewhat over the magnitude of the threat, however; State/INR believes that Libyan activities are worrisome but marginal, arguing that Libya may hesitate to attack US or French targets as long as its hands are full in Chad. The NIO for Warning believes that the recent arrests of four Libyans in Senegal carrying weapons and explosives indicates that the French remain high on Colonel Qadhafi's hit list. The benefits to Benin of aiding Libya remain unclear.

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2. Trend Commentary:

Iran/US

The absence of large-scale Iranian terrorist attacks against US interests reflects rational cost/benefit analyses by Iranian decision makers, not a rejection of the view that terrorism is a valid policy tool. If any one of several variables changes, Iran could decide to launch anti-US operations. In the near-term, however, Tehran appears to believe that a major terrorist attack on the US would not serve its interests. Iran has become increasingly skilled in using terrorism as an adjunct to military and diplomatic activities. The Intelligence Community believes that Iran is prepared to use terrorism, if success is likely, to force the US to reduce its presence in the Persian Gulf. An attack probably will be deferred until specific, important objectives can be achieved.

Iran

The Ayatollah Khomeini's series of religious decrees redefining the nature of Islamic law and government has sparked extraordinary political ferment in Iran and Iranian officials are talking about a "second Islamic revolution".

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We do not fully understand what is taking place, but there are likely to be fundamental changes in the Iranian government. The Intelligence Community seems to agree that the changes were motivated by the political impasse between the conservative clergy and radical reformers. The decrees, which give the Islamic ruler absolute authority to disregard, modify, or replace those portions of Islamic law based on non-Koranic sources, break the clergy's stranglehold on the legislative process and may help the government better manage the war effort and pursue reform. Radicals, Ayatollah Montazeri, and Speaker Rafsanjani appear to benefit by the changes; the conservative clerics and the merchant class (bazaaris) look like losers. The foreign policy implications are murky; there is no clear linkage between more radical domestic and foreign policies. However, the enthusiastic response by prominent radicals bodes ill for the US and a more socialist economic policy could portend closer ties to the USSR. Over the longer term, on the other hand, the changes contain at least some potential for the evolution of Iran's political Islam into a more modern, progressive form.

Ecuador

The win by leftist, anti-government candidates Rodrigo Borja (25 percent of the vote) and Abdala Bucaram (18 percent) in the 31 January first round of the presidential election stunned the ruling party, the military, and even the victors themselves. Initial post-election talk of a military coup has tapered off, leading the Intelligence Community to believe that the runoff election will be held as planned in May and that a new president will take office in August. Analysts agree, however, that the possibility of a pre-election coup would increase if either candidate reaches an accord with far leftist candidate Frank Vargas. A former Air Force general who got 13 percent of the vote in January, Vargas wants Air Force personnel who kidnapped President Febres-Cordero released from prison and a position in the new government. He is opposed strongly by the military. The failure of Vargas to reach an agreement with either party, however, increases the likelihood that he will launch violent attacks against the government. Beyond the inauguration, the commanders' posture will hinge on the new President's attitude toward them and the extent to which he poses a threat to economic and political stability.

Africa/US

Beyond grumbling, negative African reactions to recently announced cuts in US security assistance are not likely soon. But over the longer term, US influence probably will decline. Somalia may be the most worrisome aspect of the problem; Mogadishu, which has already canceled bilateral consultations on military issues, will not be favorably disposed to toward further participation in Bright Star exercises or allowing the US additional military access privileges. Zaire will be less amenable to supporting US policies. Chad may look for other benefactors. The Soviets will exploit opportunities to increase their influence, but there is no evidence yet of African states realigning toward Moscow.

Mozambique

Insurgents in Mozambique now are more active in the south, threatening overland routes to Maputo, although the war remains a stalemate. RENAMO rebels retain the tactical initiative, but the capital is not besieged and insurgent activity in parts of the country. Prospects for serious negotiations are dim. Meanwhile, the famine is getting worse. An estimated 4.3 million people are at risk of starvation due to the drought, and food deliveries appear to be reaching only coastal areas and the major cities.

Cambodia/Vietnam

The Intelligence Community generally agrees that some sort of settlement in Cambodia is possible in the next two or three years; until recently, the analytical community had judged a solution unlikely. The Community agrees, however, that if a settlement is achieved, long-term prospects are uncertain because so much depends on one individual--Prince Sihanouk. Factors contributing to this assessment include: the Vietnamese are turning over the fighting to the People's Republic of Kampuchea forces and have withdrawn one division; Sihanouk, at age 65, shows a new sense of urgency at reaching a negotiated settlement; China is showing signs of greater flexibility; ASEAN states are increasingly weary of the conflict; the Soviets probably want a settlement--because it would improve relations with China and could cut the cost of aid to Vietnam--and will urge Hanoi to negotiate. Sihanouk's personality is a key factor. There are many uncertainties, however, about the intentions of the various actors. In any event, even if a settlement is reached, Cambodia is likely to be an authoritarian, if not totalitarian, country.

East Germany

Opposition groups--including pacifists, environmentalists, and human rights and church activists--have become increasingly assertive in recent months, catching the Honecker regime off guard. The regime's vacillating policies, including wholesale arrests of protesters followed by early releases, betrays uncertainty about how to handle the rising tide of protest. It also may reflect new divisions within the leadership over central issues like economic policy, the applicability of "glasnost" in East Germany, and the scope and pace of intra-German relations. Should popular dissatisfaction spread and unrest intensify, the regime probably will resort to greater repression, leading to a chilling of intra-German relations, new tensions with Moscow, and sharper divisions within the top leadership.

3. The NIO for Warning notes these additional areas of warning concern:

Israel

The cycle of violence in Gaza and the West Bank will continue, pushing the Israeli political spectrum toward the right, probably sparking development of

new Palestinian factions more militantly anti-Israeli, and reducing the chances for a peaceful settlement. More Israeli oppression in the territories will encourage Israel's Arab citizens to side with the Palestinians of the occupied territories, which will polarize further relations between Arabs and Jews within Israel; television shots of brutality also will hurt Israel's international reputation more and increase calls for South Africa-style press censorship. The militant students and fundamentalists at the forefront of the protests are pushing traditional Palestinian leaders into the background and making a solution based on a Jordanian presence in the occupied territories less likely. Armed Jewish settlers in the occupied territories could turn more violently vigilante, threatening the outbreak of de facto civil war.

The outlook for the next 6-to-12 months is for continued violence, more Palestinian work stoppages, and an upheaval in the Israeli political establishment that could benefit the rightist, religious parties most in the Knesset elections scheduled for November. An ultranationalist upsurge and increased political polarization would paralyze decisionmaking and tend to freeze the coalition into rigid defense of the status quo in the West Bank and Gaza. An electoral win by rightists could, over the longer-term, increase the now small chances of a bold Israeli military stroke to try to break the impasse.

South Africa/Cuba/Angola

South Africa's decision to press the siege of Cuito Cuanavale, despite mounting casualties and aircraft losses, suggests an attempt to break the long stalemate between Luanda and UNITA rebels and turn the strategic balance in southern Africa in its favor. South African and UNITA success in seizing Cuito Cuanavale would increase further dissension in government and Soviet/Cuban/Angolan councils and undermine government forces' morale. It would increase Cuba's dilemma by stimulating Havana's already evident interest in withdrawal, but at an even greater cost in Cuban prestige. It also could tend to reduce bloc support for Angolan-based SWAPO rebels as they seek to shore up Luanda's resolve. A victory would improve South Africa's position in Namibia, damaging Western and Frontline States' hopes of a package Angola/Namibia negotiated settlement and weakening the forces attempting to oust the white government in Pretoria. The South Africans may be willing to engage Cuban units in large-scale ground combat--in addition to the air support and artillery actions they already conduct--if the Cubans move in force to relieve the primarily Angolan garrison at Cuito Cuanavale.

ECUADOR: Leftists Provoke Military

The victory of two leftist candidates in the 31 January presidential election increases the chances that the military will seize control this year, possibly before the August inauguration of the new president; a coup would prevent the ascendancy of candidates less pro-American than current President Febres-Cordero but damage the cause of democracy in Latin America. The military is particularly likely to move against Abdala Bucaram, an outspoken,

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anti-military demagogue, if he wins the May runoff election, while candidate Borja may press for unacceptably radical economic reforms. The military probably is reluctant to move, however, until the likely winner or the new president makes major, unpopular changes or directly threatens the military.

Iran

Iran may have plans for chemical attack on US forces and others in the Persian Gulf. The NIO for Warning believes that a series of developments could--if linked--pose a new and dangerous threat.

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Iran has a growing chemical weapons production capacity and probably has discovered Iraq's weapon innovation. The Iranians reportedly are also developing chemical rounds for their 106-mm recoilless rifles, which could be deployed on speedboats. Chemical fire by either weapon at thin-skinned US warships, stationary US support barges, or slow-moving commercial vessels would give Tehran new weapons should it decide to escalate the "tanker war"--a clear possibility under Iranian contingency plans. There is yet no evidence that Iran plans to attack US forces in the Gulf, but it has made clear that it believes the US deserves punishment for a host of acts perceived to be hostile to Iran. Should it decide to "retaliate", chemical attack might be an option.

Dominican Republic

Widespread unrest over poor economic and social conditions, while in check for now, could intensify with little additional warning over the next month or so. President Balaquer may have to resort to harsh repression to maintain order. Sporadic and sometimes violent protests within the country's interior in late February reached Santo Domingo in early March. Balaquer called out the Army and disorders abated only after joint military and police units began to patrol aggressively the slums of Santo Domingo. At least four people were killed, scores injured, and hundreds arrested. Since then, scattered outbreaks of violence have persisted, especially in outlying towns. Nationwide strikes scheduled for earlier this month fizzled, but new strikes set for 7-8 April could turn violent. Some leftists are advocating violence while the Catholic Church has attempted to act as an intermediary between business, labor, and the government.

Balaquer's measures to quiet the situation without using force--granting pay raises for civil servants, some price cuts, and shuffling the cabinet--failed to the violence of early March. Angry at US cuts in aid and lower sugar quotas, Balaquer may try to blame the US for his country's

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problems. In any case, he appears to have few options except repressive measures against demonstrators. Poorly trained and equipped, the 12,000 member Dominican security force would be unable to cope with widespread protests.

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